

Report of the Finance Subcommittee of the Events Facility Task Force

The Finance Subcommittee of the Events Facility Task Force was created to determine estimated funding sources and estimated funding uses for a proposed new arena in downtown Lincoln as well as a consolidated site for the State and County Fair.

Members of the Finance Subcommittee are as follows:

Steve Hubka, City Finance Department
Don Herz, City Finance Department
Scott Keene, Ameritas Investment Corp.
Lauren Wismer, Gilmore & Bell
David Lucas, Gilmore & Bell
Joel Pedersen, City Law Department
Rick Peo, City Law Department
Bruce Bohrer, Lincoln Chamber of Commerce

In addition to these committee members, other participants in the subcommittee's efforts included other Event Facility Task Force members as follows:

Dale Gruntorad, Lincoln Medical Education Partnership
Kent Morgan, City Planning Department
Ron Ecklund, Hanigan Bjorkman & Ecklund CPA's LLP
Tom Lorenz, Pershing Auditorium

The subcommittee began its work with an initial meeting on November 30, 2005, and continued for an additional twelve meetings over the next nine months.

During these meetings, the subcommittee worked towards its goals of estimating the sources and uses of funds for the two projects. During these series of meetings, the subcommittee spent time reviewing information as follows:

- Reviewed financial statements and activity of MECA, which is the Joint Public Agency (JPA) having oversight of the Qwest Center in Omaha.
- Discussed advantages and disadvantages of use of either a JPA or Interlocal Cooperation Agreement.
- Reviewed how Omaha organized their efforts and legal structure in building the Qwest Center.
- Reviewed proposed State legislation to allow capture of new sales tax revenues in an entertainment district.
- Reviewed the hotel relationship in Omaha to the Qwest Center.
- Reviewed a preliminary estimate of the cost of the arena project.
- Arranged for the University of Nebraska-Lincoln Bureau of Business Research to do a high level economic impact analysis of the proposed arena. Dr. Eric Thompson met with the group to discuss this concept.

- Discussed possible alternatives for the use of Pershing Auditorium if a new arena is built.
- Reviewed results of the design charettes for both a new arena and combined State and County Fairs.
- Developed both ongoing and one-time estimates of revenue streams that could be used to pay for the capital costs of building the facilities.
- Reviewed and analyzed cost estimates from contractors, architects, and various other sources to develop estimated uses of funds.

This process resulted in the preparation of the following documents:

Exhibit 1	Matrix of Annual Funding Sources - Arena
Exhibit 2	Discussion of Annual Funding Sources - Arena
Exhibit 3	Matrix of One-Time Funding Sources - Arena
Exhibit 4	Discussion of One-Time Funding Sources - Arena
Exhibit 5	Matrix of Annual Funding Sources - State Fair/Lancaster Events Cntr.
Exhibit 6	Discussion of Annual Funding Sources - State Fair/Lancaster Events Cntr.
Exhibit 7	Matrix of One-Time Funding Sources - State Fair/Lancaster Events Cntr.
Exhibit 8	Discussion of One-Time Funding Sources - State Fair/Lancaster Events Cntr.
Exhibit 9	Estimated Use of Funds - Arena
Exhibit 10	Estimated Uses of Funds – State Fair/Event Center
Exhibit 11	Arena Economic Impact Analysis

For each of these attachments, the process used to arrive at the financial information is as follows:

Attachment 1	Matrix of Annual Funding Sources - Arena
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The process the committee utilized was to first list all possible annual revenue sources that would generate a stream of cash flows that could be utilized to pay for bonds that could be issued to generate the proceeds to pay for the initial capital payments. A total of seventeen (17) sources were identified.

The next step was to estimate the annual cash flow for each of the revenue sources. For several of these revenue sources, including lodging, occupation, property and sales tax receipts, the estimate was based on levels of taxation that were noted in the matrix. For example, it was estimated that one-fourth of one percent of sales tax would generate \$10 million annually. Other amounts can easily be determined by prorating from this estimate.

Next the committee attempted to classify these revenue streams into four categories of difficulty to collect, ranging from easy to most difficult. For example, revenue streams created by the facility such as naming rights, etc. were classified as much easier to capture as compared to the most difficult, which the committee considered to be an optional sales tax since this would require approval by both the State Legislature as well as the voters within the City.

The committee then made an estimate of the certainty of the estimate on a scale of 1 to 10 with 10 representing the highest level of certainty of the estimate. This scale was also then utilized to arrive at the ranges of estimate for each of the revenue streams.

The next and final step was to determine how much these cumulative revenue streams would generate if they were bonded. The committee decided to utilize a 5.5% cost of borrowing over a twenty-five year period to arrive at the estimates. At the time of this report, Aaa or Aa rated bonds would cost approximately 4.5% if the City were to back stop the bonds with an unlimited property tax pledge. A more conservative rate of 5.5% was used because a considerable period of time could elapse before these bonds are marketed and it appears that rates are more likely to rise than decrease from these historically low rates. Twenty five years was used because one of the funding sources (LB500) provided for a 25 year limit on the capture of sales tax revenues. The current interest yield curve is also relatively flat, thus favoring longer termed bonds. The committee also estimated the amount of proceeds based on the City of Lincoln backstopping the revenue streams with and without an unlimited property tax pledge. The use of the City property tax pledge used a 125% coverage, whereas it was estimated that a 150% coverage plus an additional 50 basis points for the cost of bond insurance would be required without the tax pledge.

Attachment 2	Discussion of Annual Funding Sources - Arena
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The committee prepared a brief narrative to describe each revenue stream and also provided information on: 1) the methodology to arrive at the annual amount; 2) discussion of the accuracy of the estimate; 3) issues that could reduce or eliminate the amount of the estimate; and 4) calculation of the amount.

Attachment 3	Matrix of One-Time Funding Sources - Arena
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The process the committee utilized was to first list all possible one-time revenue sources that would generate a one-time source of funds that could used to help fund the construction of the arena. A total of seventeen (17) sources were identified.

The committee went through the same process as the annual revenues to arrive at the estimate amount, level of difficulty and certainty of estimate.

Since these revenues were one-time revenues, they did not require any bonding analysis. It was noted that some of the revenues, especially donations, could occur over a period of more than one year and would need to be considered in the final funding decision process.

Attachment 4	Discussion of One-Time Funding Sources - Arena
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The committee prepared a brief narrative to describe each revenue stream and also provided information on: 1) the methodology to arrive at the annual amount; 2)

discussion of the accuracy of the estimate; 3) issues that could reduce or eliminate the amount of the estimate; and 4) calculation of the amount.

Attachment 5	Matrix of Annual Funding Sources - State Fair/Lancaster Events Cntr.
Attachment 6	Discussion of Annual Funding Sources - State Fair/Lancaster Events Cntr.
Attachment 7	Matrix of One-Time Funding Sources - State Fair/Lancaster Events Cntr.
Attachment 8	Discussion of One-Time Funding Sources - State Fair/Lancaster Events Cntr.

The committee went through an identical process to identify annual and one-time revenue sources to fund a joint site for the State Fair and Lancaster Events Center. This analysis resulted in the identification of thirteen annual and twelve one-time revenue sources. It should be noted that one annual revenue source is shown both on the arena and joint facility analysis. This revenue source is the 1% county lodging tax. Both facilities appear eligible for this funding.

Attachment 9	Estimated Use of Funds - Arena
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The next phase of the committees work was to review and accumulate the information provided to it on the use of funds for the arena. The committee also decided to provide an estimate of the potential private investment in a hotel and a modest sized convention center.

The arena and garage were estimated to encompass 500,000 square feet at approximately \$330 per square foot. This space included the development of some retail space within or adjacent to the arena. Some slight reduction was then applied because of the utilization of the District Energy Corporation's offer to provide heating and cooling to the building.

The cost of the road network was provided from a prior study of this area. The estimated cost in 2006 dollars is \$23 million. The cost of land acquisition could vary significantly depending on the final site selection, timing of the building process and other factors. A high estimate for the land cost was \$26 million. The committee worked with the City's Public works department to estimate the cost of the required surface parking costs. This estimate came to \$6.2 million. The estimate of the site work came to \$3 million. Finally, \$20 million, or approximately 10 percent, was included for soft costs, including design and construction management, as well as a contingency fund.

Attachment 10	Estimated Uses of Funds – State Fair/Event Center
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The committee was asked to summarize the cost of constructing a single site for hosting the State Fair and Lancaster Event Center utilizing each entity's master plan and master plan update. The process also utilized the concept drawing for the State Fair location as well as the concept for the Event Center site that envisioned the movement of 84th Street westward to provide adequate space for both.

This process resulted in estimated costs of \$78.5 and \$83.5 million including the cost of replacing the race track and grand stand. The race track and grand stand replacement accounts for approximately \$12.0 million of the cost.

The committee also reviewed estimates of paying for the full build-out of each entity's master plan(s) on separate sites. This estimate placed the cost at \$108 million, an additional increment of approximately \$24.5 and \$29.5 million.

Attachment 11	Arena Economic Impact Analysis
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The committee arranged to have Dr. Eric Thompson, Director of the University of Nebraska-Lincoln, prepare an economic impact analysis of the new arena. This analysis is labeled as Attachment 11.

The committee and Dr. Thompson agreed that the best analysis was to calculate the net economic impact from the construction of the arena, hotel, and convention center. This concept is described in Section II of the report. Section V, table 9, of the report shows a significant construction period impact of approximately 5,500 job years for the construction period. The annual impact is much less significant, but is positive for 7 of 9 possible scenarios as described in Section V, table 10 of the report.

It should be noted that this report is not a benefit-cost analysis. It does not consider the consequences of the arena's contribution to the City's quality-of-life. Rather its focus is limited to economic impact.

Exhibit 1

Matrix of Annual Funding Sources -

Arena

Financing Matrix - Level of Difficulty

Annual Revenues

(amounts in thousands)

Present Value Assumptions:

Rate G.O. AAA	5.50%
Period	25
Bond Insurance	0.50%

No.	Description	Certainty of estimate (1 to 10)	Level of Difficulty				Total
			Easy	Moderate	Difficult	Most Difficult	
1	Arena Parking	7	540				540
2	Cell Phone Tower	6	50				50
3	City Occupancy Tax Hotels - 4%	9		1,800			1,800
4	City Occupancy Tax on Car Rentals - 4%	5		200			200
5	Club Premiums	5	500				500
6	County Lodging Tax – 1%	9		450			450
7	G.O. Bond Proceeds \$.01 Levy	9			1,500		1,500
8	LB500 – Sales Tax TIF	6			1,200		1,200
9	Local Option Sales Tax - \$.0025	9				10,000	10,000
10	Naming Rights – Exterior	5	350				350
11	Naming Rights – Interior	5	125				125
12	Occupation Tax – Restaurant Sales - \$.01	8			3,000		3,000
13	Retail Space Lease	5	100				100
14	Suite Premiums	6	720				720
15	Ticket Fee	7	1,000				1,000
16	TIF – Property Tax	8	750				750
17	Wheel Tax - \$5	9			1,000		1,000
Annual Revenues			4,135	2,450	6,700	10,000	23,285
Coverage - G.O. Financing		125%	3,308	1,960	5,360	8,000	18,628
Coverage - Non G.O. Financing		150%	2,757	1,633	4,467	6,667	15,523
Present Value No Coverage			55,467	32,864	89,873	134,139	312,343
Present Value 125% G.O.			44,373	26,291	71,899	107,311	249,875
Cumulative 125%			44,373	70,665	142,563	249,875	
Present Value 150% + 50 basis points			35,239	20,879	57,099	85,222	198,440
Cumulative 150%			35,239	56,119	113,218	198,440	

Arena

Financing Matrix - Range

Annual Revenues

(amounts in thousands)

Present Value Assumptions:

Rate G.O. AAA	5.50%
Period	25
Bond Insurance	0.50%

<u>No.</u>	<u>Description</u>	Certainty of estimate (1 to 10)	Range of Estimate		
			<u>Low Estimate</u>	<u>Average</u>	<u>High Estimate</u>
1	Arena Parking	7	378	540	702
2	Cell Phone Tower	6	30	50	70
3	City Occupancy Tax Hotels - 4%	9	1,620	1,800	1,980
4	City Occupancy Tax on Car Rentals - 4%	5	100	200	300
5	Club Premiums	5	250	500	750
6	County Lodging Tax – 1%	9	405	450	495
7	G.O. Bond Proceeds \$.01 Levy	9	1,350	1,500	1,650
8	LB500 – Sales Tax TIF	6	720	1,200	1,680
9	Local Option Sales Tax - \$.0025	8	8,000	10,000	12,000
10	Naming Rights – Exterior	5	175	350	525
11	Naming Rights – Interior	5	63	125	188
12	Occupation Tax – Restaurant Sales - \$.01	8	2,400	3,000	3,600
13	Retail Space Lease	5	50	100	150
14	Suite Premiums	6	432	720	1,008
15	Ticket Fee	7	700	1,000	1,300
16	TIF – Property Tax	8	600	750	900
17	Wheel Tax - \$5	9	900	1,000	1,100
Annual Revenues			18,173	23,285	28,398
Coverage - G.O. Financing			14,538	18,628	22,718
Coverage - Non G.O. Financing			12,115	15,523	18,932
Present Value No Coverage			243,765	312,343	380,922
Present Value 125% G.O.			195,012	249,875	304,738
Present Value 150% + 50 basis points			154,870	198,440	242,010

Exhibit 2

Discussion of Annual Funding Sources - Arena

ARENA FINANCING – ANNUAL REVENUE SOURCES

1. *Arena Parking*

If a parking facility is built and incorporated into the arena for suite owners and club box renters, similar to most new facilities currently being built, the revenue from this parking facility could be included as a revenue stream to help pay for the parking facility.

Annual Cash Flow: The annual cash flow will be based on the number of stalls built and what the market will allow. For estimation purposes, a 500 stall garage with monthly average revenue of \$90 per month per stall is used.

Accuracy of Estimate: The City operates a Parking Enterprise Fund and has good historical information on what the Lincoln market will yield.

Issues that could reduce/eliminate funding source: This facility will be a good revenue source for football and arena parking events. Further development in the Haymarket will be needed to result in parking revenues from sources other than event related parking.

Estimates: The computation for 500 stalls yields approximately \$540 thousand per year in parking revenues.

2. *Cell Tower Revenues*

A facility with the height of the arena will probably be a logical location to site one or more cell antennas.

Annual Cash Flow: The City currently receives approximately \$25,000 per year from each cell tower. Assuming two users, the annual revenue would approximate \$50,000.

Accuracy of Estimate: The City has negotiated several contracts and there is a City ordinance that makes it preferable to locate a cell antenna on City owned property.

Issues that could reduce/eliminate funding source: Changes in technology and consolidation within the industry could reduce the number of opportunities.

Estimates: The estimate of \$25,000 per tower is based on recent contracts that have been negotiated. Two cell towers are used for estimation purposes.

3. *City occupancy tax on hotels*

The City has the State authority to impose an occupation tax. The City of Omaha has imposed a hotel occupation tax to assist in funding the Qwest Center.

ARENA FINANCING – ANNUAL REVENUE SOURCES

Annual Cash Flow: The annual cash flow would be dependent upon the percentage of the occupation tax. Currently, the County lodging tax yields approximately \$425 thousand per year per one percent of tax.

Accuracy of Estimate: Because there currently exists a similar tax, and because most if not all of the lodging tax is generated within the City limits, the estimate should be fairly accurate.

Issues that could reduce/eliminate funding source: Economic and external issues that would curtail the amount of travel and hotel/motel stays in Lincoln could have a negative impact on this revenue source.

Estimates: The estimate is based on a four percent hotel occupation tax, which is the rate in Omaha. The likelihood that an additional hotel will be built as part of the project should conservatively add an extra \$25,000 per year per one percent of tax results in a calculation of \$450 thousand times 4 or \$1.8 million.

4. *City occupancy tax on auto rentals*

The City has the State authority to impose an occupation tax. The City of Omaha has imposed an occupation tax on auto rentals to fund the Qwest Center.

Annual Cash Flow: The annual cash flow will depend on the amount of auto rental sales and the percentage of occupation tax.

Accuracy of Estimate: There is less certainty about this revenue stream, because there is not a separate SIC code for just this transaction and because there may not be a directly proportional relationship to Omaha's revenue stream. Omaha will probably have a much higher auto rental at Eppley than at the Lincoln Airport.

Issues that could reduce/eliminate funding source: Economic and external issues that would curtail the amount of travel.

Estimates: The estimate is based on a four percent auto rental occupation tax, which is the amount in Omaha. As a preliminary estimate, auto rentals are estimated at \$5 million, times 4% yields \$200,000.

5. *Club Premiums*

This revenue source would be generated by providing patrons the first right to purchase tickets for any event for the better seating locations in the arena (not including suites).

ARENA FINANCING – ANNUAL REVENUE SOURCES

Annual Cash Flow: The annual cash flow will depend on the prevailing rate at the time these are marketed. There are firms that specialize in marketing this type of seating.

Accuracy of Estimate: This revenue source can be fairly accurately calculated because this type of seating has been marketed in many other arenas. A key determinate of the level of annual income will depend on what anchor events such as UN-L basketball, hockey, etc will utilize the facility.

Issues that could reduce/eliminate funding source: Economic and external issues that would curtail the amount of consumer consumption for this amenity.

Estimates: The estimate is based on 1,000 prime seats being reserved at an average price of \$500 per seat.

6. *County Lodging Tax*

This revenue source would be generated by securing 1% of the County lodging tax. State Statute 81-1255 authorizes a county to establish a County Visitors Promotion Fund. This fund will receive 2% of the 5% lodging tax.

Annual Cash Flow: Currently, the lodging tax generates about \$425 thousand per 1% of tax.

Accuracy of Estimate: This revenue source can be accurately measured because it is already in existence.

Issues that could reduce/eliminate funding source: It is unclear if this money can be utilized directly to fund an arena. It may need to be used to improve an existing area/facility.

Estimates: The estimate is based on a one percent hotel lodging tax. The likelihood that an additional hotel will be built as part of the project should conservatively add an extra \$25,000 per year per one percent of tax results in a calculation of \$450 thousand.

7. *G.O. Bond Proceeds*

It is assumed that the annual funding sources for the arena will be estimated and bonded. The most likely way to do this and obtain a good bond rating and increase the proceeds would be to issue G.O. bonds. To the extent that the revenue estimates are accurate, there could not be a need to use property taxes to assist in the funding of the arena. Property tax would be a back stop in the event the revenue estimates did not materialize. Additional G.O. bonds paid with property taxes could also be issued.

ARENA FINANCING – ANNUAL REVENUE SOURCES

Annual Cash Flow: A one-cent levy will yield approximately \$1.5 million in property tax revenue.

Accuracy of Estimate: The accuracy of this revenue source is very high. Every penny of levy will yield approximately \$1.5 million in revenue and when bonded for a 20-year period, it will result in approximately \$15 million of bond proceeds.

Issues that could reduce/eliminate funding source: The taxpayers of Lincoln would need to be willing to pay more in property taxes. The City has many other bond issues that will need to be taken to the voters over the next 10 years, which may make this form of revenue more difficult to pass.

Estimates: For estimate purpose, \$1.5 million is used.

8. *Sales Tax TIF*

This revenue source would be generated by a change in State law to allow the capture of new sales tax generated in an entertainment district as contemplated in LB 500 that reached the final stages of approval in the 99th legislature of the 2006 regular session. This law was not passed and it or similar legislation will need to be brought forward in future sessions.

Annual Cash Flow: As provided in LB 500, new sales taxes generated within an entertainment district could be returned to the City. The bill allowed for 75% of the State sales tax and 100% of the local tax to be returned and potentially bonded for a 25-year period. The bill also provided for the same return for any sales tax generated in any adjacent hotels within walking distance of the entertainment district for an initial five-year period.

Accuracy of Estimate: This revenue estimate will probably require a thorough study to more accurately estimate, but a preliminary estimate is that the new arena would generate \$10 million in taxable sales; a new hotel/convention center would generate an additional \$11.5 million in taxable sales. The existing hotels are estimated to generate \$15 million in taxable sales per year.

Issues that could reduce/eliminate funding source: This revenue source will be available only if enacted by the Legislature. Because of significant changes in the membership of the Legislature during the next several years, renewed lobbying efforts will need to be accomplished. If a similar bill is passed, it will need to be monitored to ensure that the arena in Lincoln would continue to be eligible and the timeline is possible.

Estimates: The annual revenue estimate is based upon the two revenue streams from existing sales and new sales. Attachment A is a preliminary model using the concepts in LB 500 and the estimate mentioned above. These will generate about

ARENA FINANCING – ANNUAL REVENUE SOURCES

\$30 million over 25 years, or an average of \$1.2 million. This stream of revenue would yield \$16 million if bonded.

9. *Local Option Sales Tax*

This revenue source would be generated by increasing the local option sales tax for a period of years and dedicating this revenue stream to retiring bonds that are issued to build the arena.

Annual Cash Flow: Currently, the City has a 1.5% local option sales tax that generates \$60 million per year. Each one-tenth of a percent generates \$4 million per year.

Accuracy of Estimate: This revenue source is easy to estimate because of the historical information that is available.

Issues that could reduce/eliminate funding source: The primary issue would be the need to get the State Legislature and the voters to both approve the imposition of this tax.

Estimates: A one-fourth percent increase in the tax would generate \$10 million which would alone generate most of the funds needed to build an arena. With current market conditions, this would generate about \$135 million of proceeds if bonded.

10. *Naming Rights - Exterior*

This revenue source would be generated by selling the naming rights of the facility to a corporation for a set number of years, similar to the arrangement with Qwest and the facility in Omaha. This arrangement is fairly prevalent around the country.

Annual Cash Flow: A preliminary estimate is that this will generate a minimum of \$500 thousand per year.

Accuracy of Estimate: This revenue source will be unknown until it is bid. A consultant should be engaged to provide more accurate estimates.

Issues that could reduce/eliminate funding source: A change in the marketability of naming rights could impact this estimate.

Estimates: \$500 thousand per year is estimated.

11. *Naming Rights - Interior*

ARENA FINANCING – ANNUAL REVENUE SOURCES

This revenue source would be generated by selling the naming rights to various interior facilities to one or more corporations for a set number of years. This would include naming certain rooms and facilities. This arrangement is fairly prevalent around the country.

Annual Cash Flow: A preliminary estimate is that this will generate a minimum of \$150 thousand per year.

Accuracy of Estimate: This revenue source will be unknown until it is bid. A consultant should be engaged to provide more accurate estimates.

Issues that could reduce/eliminate funding source: A change in the marketability of naming rights could impact this estimate.

Estimates: \$150 thousand per year is estimated.

12. *Occupation Tax - Restaurants*

In some localities, restaurants can be required to collect an additional sales tax in a manner similar to the County lodging tax and the occupation tax on lodging. The authority to apply a restaurant occupation tax will need to be explored to see if City Charter would allow this tax.

Annual Cash Flow: The latest annual report from the State Department of Revenue indicated that there was a total of \$385 of taxable sales within Lancaster County for “Accommodations and Food Service”. Using the lodging tax analysis it would appear there is approximately \$45 million of taxable sales for accommodations. There would appear to be approximately \$300 million of taxable restaurant sales.

Accuracy of Estimate: This revenue source should be fairly accurate to estimate because of the data compiled by the State Department of Revenue.

Issues that could reduce/eliminate funding source: Legislative action to limit charter provisions. Since this would not be collected through the Sales tax collection process, a new administrative process would need to be developed to collect these revenues.

Estimates: \$300 million with a 1% tax would generate \$3 million per year.

13. *Retail Space Lease*

ARENA FINANCING – ANNUAL REVENUE SOURCES

The design charrette indicated that there would be some retail space built as part of the arena. This revenue estimate does not include any food and beverage areas within the arena, since that revenue stream would be used to fund the arena operations.

Annual Cash Flow: The cash flow would come from lease of any retail space that would be built and incorporated into the arena or other public spaces.

Accuracy of Estimate: This revenue source should be fairly accurate to estimate once a design is completed.

Issues that could reduce/eliminate funding source: A decision to not include any space into the design, or a decision to utilize these funds to pay for annual operating expenses of the arena, would eliminate this as a revenue source to pay for the building.

Estimates: 5,000 square feet at \$20 per square foot approximates \$100 thousand.

14. *Suite Revenues*

This revenue source would be generated by building and selling private suites to the purchasers of this amenity. This arrangement has become fairly common for most arenas and should generate more revenues than the cost to build. A study and marketing effort will be needed to maximize this revenue stream.

Annual Cash Flow: The annual cash flow will depend on the prevailing rate at the time these are marketed. There are firms that specialize in marketing this type of amenity. The suite revenue can be paid on an annual installment.

Accuracy of Estimate: This revenue source can be fairly accurately calculated because this type of seating has been marketed in many other arenas. A key determinate of the level of annual income will depend on what anchor events such as UN-L basketball, hockey, etc will utilize the facility.

Issues that could reduce/eliminate funding source: Economic and external issues that would curtail the demand for this amenity.

Estimates: The estimate is based on 36 suites at \$20 thousand per year for a total of \$720 thousand.

15. *Ticket Fee*

This revenue source would be generated by adding a fee to each ticket sold at the arena. The fee could be a variable fee depending on the price of the ticket.

ARENA FINANCING – ANNUAL REVENUE SOURCES

Annual Cash Flow: The annual cash flow will depend on the average ticket fee times the number of event tickets.

Accuracy of Estimate: This revenue source can be fairly accurately calculated once an estimate of the number of ticket sales can be made. The number of events that generate large number of attendees will help drive this revenue source

Issues that could reduce/eliminate funding source: A reduction in the number of ticket sales.

Estimates: The estimate is based on 500 thousand ticket sales per year times an average of \$2 per ticket for a total of \$1 million.

16. *Tax Increment Financing*

The City has the authority to issue tax exempt bonds capitalized by the property tax increment on any public project in which the area of development has been declared blighted. The City has utilized this tool for a number of years and should be able to utilize this funding source for this project.

Annual Cash Flow: Approximately 2% of the property valuation increment.

Accuracy of Estimate: The City has a long history of dealing with TIF and issuing tax exempt bonds.

Issues that could reduce/eliminate funding source: Redevelopment doesn't occur or property valuations could decline.

Estimates: A \$50 million increment would generate approximately \$1 million of property taxes that could be used for the project for a period of 15 years. Since the model uses a 25-year bonding period, and TIF is limited to 15 years, \$750 is used in the matrix to yield approximately the same amount as \$1 million bonded for 15 years.

17. *Wheel Tax*

The City could increase its wheel tax to cover some, or all, of the street improvements in this area. The City has the authority to increase the wheel tax and bond the additional revenue proceeds from the Highway Allocation Fund.

Annual Cash Flow: An increase of \$5 in the wheel tax generates \$1 million of additional revenues.

ARENA FINANCING – ANNUAL REVENUE SOURCES

Accuracy of Estimate: This revenue stream is fairly accurate to predict because of the existence of this tax.

Issues that could reduce/eliminate funding source: There are other street needs competing for this type of funding.

Estimates: The current formula that an additional \$5 of wheel tax will generate \$1 million in revenues is used.

Exhibit 3

Matrix of One-Time Funding Sources - Arena

Arena

Financing Matrix - Level of Difficulty

One-Time Revenues

(amounts in thousands)

<u>No.</u>	<u>Description</u>	Certainty of estimate (1 to 10)	Level of Difficulty				<u>Total</u>
			<u>Easy</u>	<u>Moderate</u>	<u>Difficult</u>	<u>Most Difficult</u>	
1	Brownfield Funds	3	-				-
2	City Utility Revenues/Bonds	8	-				-
3	District Energy Corp.	8	-				-
4	Donations – Corporations	5		7,500			7,500
5	Donations – Individual	5		2,500			2,500
6	Federal Demo Corp. – Post Office	3		1,000			1,000
7	Federal Highway Funds	3		3,000			3,000
8	Homeland Security	3		250			250
9	New Markets Tax Credit	4	-				-
10	NRD – Flood Plain Issues	5		250			250
11	RTSD	7		2,500			2,500
12	State Appropriation	4			15,000		15,000
13	State Road Funds	4			5,000		5,000
14	Street Funds	7		1,000			1,000
15	Turn back Tax from Qwest	8	1,000				1,000
16	Wetland Funds	3		250			250
17	Sale of Commercial Property	5		4,500			4,500
Annual Revenues			1,000	22,750	20,000	-	43,750
Cumulative			1,000	23,750	43,750	43,750	

Arena

Financing Matrix - Range

One-Time Revenues

(amounts in thousands)

<u>No.</u>	<u>Description</u>	Certainty of estimate (1 to 10)	Range of Estimate		
			<u>Low Estimate</u>	<u>Average</u>	<u>High Estimate</u>
1	Brownfield Funds	3	-	-	-
2	City Utility Revenues/Bonds	8	-	-	-
3	District Energy Corp.	8	-	-	-
4	Donations – Corporations	5	3,750	7,500	11,250
5	Donations – Individual	5	1,250	2,500	3,750
6	Federal Demo Corp. – Post Office	3	300	1,000	1,700
7	Federal Highway Funds	3	900	3,000	5,100
8	Homeland Security	3	75	250	425
9	New Markets Tax Credit	4	-	-	-
10	NRD – Flood Plain Issues	5	125	250	375
11	RTSD	7	1,750	2,500	3,250
12	State Appropriation	4	6,000	15,000	24,000
13	State Road Funds	4	2,000	5,000	8,000
14	Street Funds	7	700	1,000	1,300
15	Turn back Tax from Qwest	8	800	1,000	1,200
16	Wetland Funds	3	75	250	425
17	Sale of Commercial Property	5	2,250	4,500	6,750
Annual Revenues			19,975	43,750	67,525
Cumulative			19,975	63,725	131,250

Exhibit 4

Discussion of One-Time Funding Sources – Arena

ARENA FINANCING – ONE-TIME REVENUE SOURCES

1. *Brownfield Funds*

The Environmental Protection Agency has a program that could be accessed if it is determined that there are environmental issues with the site for the convention/hotel/arena site. The program is the Brownfield Assessment, Revolving Loan Fund and Cleanup Grant program, CDFA # 66-818.

One-Time Revenue Amount: The amount of funding that may be obtained from the EPA will depend on the existence of any environmental issues with the Haymarket site including any land that may be obtained from the railroads and post office. The EPA program for grant applications due by the end of 2005 had a \$72 million nation-wide funding.

Accuracy of Estimate: An environmental assessment will be required before it can be determined if funding will be needed.

Issues that could reduce/eliminate funding source: The availability of this revenue source is dependent on the Federal government continuing this program as well as the ability of the City to qualify for funding.

Estimates: At this point, the amount of revenue can not be estimated.

2. *City Utility Revenues/Bonds*

The City of Lincoln provides water and sewer service to all areas within the city limits. If a development such as a new arena is built that will not be served by existing infrastructure, the City will need to provide sufficient water and sewer capacity to serve the new buildings.

One-Time Revenue Amount: There will not be any revenue from the City for this purpose, other than an assurance that water and sewer will be provided. The bond covenants for the Water and Wastewater Systems prevent the transfer of assets from these closed funds to other funds or enterprises without consideration.

Accuracy of Estimate: During the design charrette, the City indicated that existing mainline water and sewer facilities are nearby and adequate to serve an arena/hotel/convention site. Sewer and water line connections will need to be paid by the project to connect to these facilities.

Issues that could reduce/eliminate funding source: There are none anticipated.

Estimates: No revenues are estimated.

ARENA FINANCING – ONE-TIME REVENUE SOURCES

3. *District Energy Corp.*

The District Energy Corp. may provide an opportunity to secure heating and cooling for the facilities at a significant savings. This concept will be beneficial in reducing both the cost of the buildings within the project, but also the operational costs for heating and cooling.

One-Time Revenue Amount: There will not be any direct revenue available from this source to assist in the construction of the facility. However, preliminary discussions indicate that this method will allow the arena to be built at a significantly lower cost, because there will not be a need to build an HVAC system into the building other than the delivery mechanisms. Preliminary discussions also indicate that the annual cost of energy for heating and cooling could be reduced by as much as 50%.

Accuracy of Estimate: No estimate needed.

Issues that could reduce/eliminate funding source: There will be technical issues and studies needed before the use of the DEC to provide less expensive heating and cooling can be confirmed.

Estimates: No revenues are estimated.

4. *Donations - Corporate*

It is assumed that the corporate community would assist in the funding of a new arena by providing some level of funding in the form of gifts/donations. The Qwest Center in Omaha was assisted by corporate and private donations reported to be in the range of \$75 million.

One-Time Revenue Amount: Corporate pledges may be paid over a several year period. Any pledges paid at the start of construction can be used to pay costs during the construction period. Pledges that are guaranteed and paid over several years may need to be included in the annual payment category and capitalized based on the present value of the series of pledges.

Accuracy of Estimate: This revenue source is difficult to estimate and the estimate has a high amount of variability.

Issues that could reduce/eliminate funding source: The state of the National/State economy will have a significant determination on this revenue source. Lincoln does not have as many Fortune 500 corporations as Omaha which could reduce this revenue source.

ARENA FINANCING – ONE-TIME REVENUE SOURCES

Estimates: For estimation purposes, \$7.5 million is used.

5. *Donations - Individual*

It is assumed that private individuals would assist in the funding of a new arena by providing some level of funding in the form of gifts/donations. The Qwest Center in Omaha was assisted by corporate and private donations reported to be in the range of \$75 million.

One-Time Revenue Amount: Private pledges may be paid over a several year period. Any pledges paid at the start of construction can be used to pay costs during the construction period. Pledges that are guaranteed and paid over several years may need to be included in the annual payment category and capitalized based on the present value of the series of pledges.

Accuracy of Estimate: This revenue source is difficult to estimate and the estimate has a high amount of variability.

Issues that could reduce/eliminate funding source: The state of the National/State economy will have a significant determination on this revenue source.

Estimates: For estimate purpose, \$2.5 million is used.

6. *Federal Demo Corp. – Post Office*

If the arena is built in the Haymarket area, the design charette identified the post office site as a possible location. If the project was responsible for paying for a portion of the cost of building a new post office, securing funding from the federal government may be possible.

One-Time Revenue Amount: The difference between the current fair market value of the post office and a replacement facility is the amount targeted most likely to be paid by the post office. This amount should not be identified as a cost of the project or reflected as a revenue source. If some of the funding could be used to pay for a portion of the value of the existing building and property, this amount should be shown as a revenue source.

Accuracy of Estimate: This revenue source is difficult to estimate and the estimate has a high amount of variability.

Issues that could reduce/eliminate funding source: If a location other than the Post Office is selected, or the Post Office is unwilling to relocate, this funding would not be necessary.

ARENA FINANCING – ONE-TIME REVENUE SOURCES

Estimates: For estimate purpose, \$1 million is used.

7. ***Federal Highway Funds***

The City through its congressional delegation was successful in obtaining Federal Highway funding for the pedestrian bridge between the Haymarket and Haymarket Park as part of the baseball project. A similar demonstration project should be able to be designed into the project that would qualify for Federal funding.

One-Time Revenue Amount: This revenue source will probably be targeted for a specific part of the road/pedestrian network. Whether this funding will be able to be used for the basic network or an enhanced feature that will add to the cost of the network is unknown. For estimation purposes, it is assumed that \$3 million could be used for the basic network.

Accuracy of Estimate: This revenue source is difficult to estimate and the estimate has a high amount of variability.

Issues that could reduce/eliminate funding source: The willingness of congress to fund this type of project and the willingness of one or more of our congressional delegation to sponsor this type of project is necessary.

Estimates: For estimate purposes, \$3 million is used.

8. ***Homeland Security***

Since large congregation areas are a more significant target of terrorists, it is assumed that the Office of Homeland Security would provide some assistance in the design and perhaps construction of certain security aspects of the arena.

One-Time Revenue Amount: This revenue source will probably not be significant, but every effort should be made to seek grant revenues.

Accuracy of Estimate: This revenue source is difficult to estimate and the estimate has a high amount of variability.

Issues that could reduce/eliminate funding source: The determination by the Office of Homeland Security that a new arena in Lincoln will pose risks that they will be willing to assist in the funding.

Estimates: For estimate purpose, \$250 thousand is used.

ARENA FINANCING – ONE-TIME REVENUE SOURCES

9. ***New Markets Tax Credit***

The Community Renewal Tax Relief Act of 2000, the New Markets Tax Credit Program will spur approximately \$15 billion in investments into privately managed investment institutions. In turn, these privately managed investment institutions, or Community Development Entities (CDEs), will make loans and capital investments in businesses in underserved areas. By making an investment in a CDE, an individual or corporate investor can receive a tax credit worth 39 percent (30 percent net present value) of the initial investment, distributed over 7 years, along with any anticipated return on their investment in the CDE.

One-Time Revenue Amount: This revenue source will not be available to build the public portion of the project, but may be available to any private developer.

Accuracy of Estimate: This revenue source is difficult to estimate and the estimate has a high amount of variability.

Issues that could reduce/eliminate funding source: The private developer will need to be successful in competing for these funds.

Estimates: No revenues are estimated.

10 ***NRD – Flood Plain Issues***

The Haymarket development area will need to deal with flood plain issues including the amount of fill and remediation issues. There may be an opportunity to seek funding assistance from the Lower Platte South NRD if the flood plain issue could be addressed in some positive fashion.

One-Time Revenue Amount: Any assistance from the NRD will likely be at the start of the project and will not be an on going source of revenue.

Accuracy of Estimate: This revenue source is difficult to estimate and the estimate has a high amount of variability.

Issues that could reduce/eliminate funding source: The policies of the NRD may not allow funding for this type of project.

Estimates: For estimate purposes, \$250 thousand is used.

11. ***Railroad Transportation Safety District (RTSD)***

It is anticipated that there will be at least one structure that will be needed to move traffic over the railroad mainlines. It is assumed that the RTSD may be interested in funding some portion of this project.

ARENA FINANCING – ONE-TIME REVENUE SOURCES

One-Time Revenue Amount: Any assistance from the RTSD will likely be at the start of the project and will not be an on going source of revenue.

Accuracy of Estimate: This revenue source will be fairly accurate to estimate.

Issues that could reduce/eliminate funding source: Lack of fund availability at the RTSD or RTSD policy to not participate in this type of project.

Estimates: For estimate purposes, \$2.5 million is used.

12. ***State Appropriations***

In most States, State government is willing to step in and assist in the funding of a project of this magnitude that involves a significant level of economic development and tourist activity. The State has a program in place to benefit the Qwest Center in the amount of \$75 million. The language that created the incentive for Omaha makes it very difficult for any other facility to qualify for the tax rebates offered to Omaha. In the most recent legislative session, LB500, if passed would have provided the possibility of new sales taxes generated within an entertainment district to qualify for a rebate of any new sale tax revenues.

One-Time Revenue Amount: It may be possible to ask the Legislature to consider an appropriation of funds to pay for a portion of the project. This could be accomplished by a single appropriation, a series of annual appropriations, and use of State cigarette tax funds, similar to the appropriation for the Devaney Center or the Antelope Valley project.

Accuracy of Estimate: This revenue source will be fairly accurate to estimate.

Issues that could reduce/eliminate funding source: The ability to convince State government to appropriate funds for just a Lincoln project; or changes in the State economy.

Estimates: For estimate purposes, \$15 million is used.

13. ***State Road Funds***

A portion of the Road project may be eligible for State/Federal funding. There will need to be an exit ramp off of I-180 that may qualify.

One-Time Revenue Amount: The cost of the exit ramp and some of the connector road will need to be separately estimated.

Accuracy of Estimate: This revenue source will be fairly accurate to estimate.

ARENA FINANCING – ONE-TIME REVENUE SOURCES

Issues that could reduce/eliminate funding source: Unwillingness by the Dept of Roads to fund a portion of this project.

Estimates: For estimate purposes, \$5 million is used.

14. *Street Funds*

A significant portion of the cost of the project will be the street network to service the facilities. The City's street fund would generally participate in the cost of this network if it were part of the major road network envisioned in the Comprehensive Plan. Currently the road network is not included in the Comprehensive Plan. Because of an existing shortfall of approximately \$100 million, it will be difficult to secure funding from the Street Funds for this project.

One-Time Revenue Amount: The Street fund may be able to participate in funding some of the design work for the project.

Accuracy of Estimate: This revenue source will be fairly accurate to estimate.

Issues that could reduce/eliminate funding source: Continued shortfalls in receipts from the State Highway allocation fund could put further pressure on the ability to design and build street projects.

Estimates: For estimate purposes, \$1 million is used.

15. *Turnback Tax from Qwest*

In 1999, the Legislature created the Convention Center Facility Financing Assistance Act for the purpose of assisting Omaha with the funding of a portion of the Qwest Center. This act was created so that in its current form, it is difficult for any other City in the state to qualify for this funding source. In creating the funding for the Qwest Center, the Legislature also created the Local Civic, Cultural, and Convention Center Financing Fund. This fund is to receive 30% of the eligible funds that the Omaha project generates. Section 13-2704 states that the fund may be used for assistance for the construction of new centers or the renovation or expansion of existing centers. The fund may not be used for planning, programming, marketing, advertising, and related activities. Section 13-2705 provides funding of up to \$1 million for cities of the primary class and lesser amounts for smaller cities once every five years.

One-Time Revenue Amount: The maximum that may be granted by the State under the 30% formula is \$1 million.

Accuracy of Estimate: This revenue source will be fairly accurate to estimate.

ARENA FINANCING – ONE-TIME REVENUE SOURCES

Issues that could reduce/eliminate funding source: The amount of funds that Omaha is generating is not as high as estimated. If other cities are successful in receiving funding, Lincoln may have to wait several years before the fund is replenished.

Estimates: For estimate purposes, \$1 million is used.

16. ***Wetland Funds***

The project site may contain one or more wetland areas that may need to be reclaimed or restored. There are a number of federal, state, and private foundation sources that may assist in the funding for this purpose.

One-Time Revenue Amount: The amount of funding will depend on the ability to reclaim any of the wetland areas. The revenues would be estimated to cover some or all of the expenses associated with this activity.

Accuracy of Estimate: This revenue source will be fairly difficult to estimate.

Issues that could reduce/eliminate funding source: The lack of salvageable wetland areas, or lack of success in receiving grant funding.

Estimates: For estimate purposes, \$250 thousand is used.

Exhibit 5

Matrix of Annual Funding Sources - State Fair/Lancaster Events Cntr.

State Fair/Lancaster Event Center

Financing Matrix - Level of Difficulty

Annual Revenues

(amounts in thousands)

Present Value Assumptions:

Rate G.O. AAA	5.50%
Period	25
Bond Insurance	0.50%

No.	Description	Certainty of estimate (1 to 10)	Level of Difficulty				Total
			Easy	Moderate	Difficult	Most Difficult	
1	Arena Parking	7	100				100
2	State Fair Lottery - 50%	8	1,250				1,250
3	City of Lincoln - Lottery Match - 50%	8	125				125
4	Ag Society Property Tax	8	-				-
5	County/Ag Society Tax Levy - JPA	9	640				640
6	County Lodging Tax – 1%	9		450			450
7	G.O. Bond Proceeds \$.01 Levy	9			1,500		1,500
8	LB500 – Sales Tax TIF	6		400			400
9	Naming Rights – Exterior	5	100				100
10	Naming Rights – Interior	5	50				50
11	Retail Space Lease	5	-				-
12	Ticket Fee	7	125				125
13	TIF – Property Tax	8	175				175
Annual Revenues			2,565	850	1,500	-	4,915
Coverage - G.O. Financing		125%	2,052	680	1,200	-	3,932
Coverage - Non G.O. Financing		150%	1,710	567	1,000	-	3,277
Present Value No Coverage			34,407	11,402	20,121	-	65,929
Present Value 125% G.O.			27,525	9,121	16,097	-	52,744
Cumulative 125%			27,525	36,647	52,744	52,744	
Present Value 150% + 50 basis points			21,860	7,244	12,783	-	41,887
Cumulative 150%			21,860	29,103	41,887	41,887	

State Fair/Lancaster Event Center

Financing Matrix - Range

Annual Revenues

(amounts in thousands)

Present Value Assumptions:

Rate G.O. AAA	5.50%
Period	25
Bond Insurance	0.50%

No.	Description	Certainty of estimate (1 to 10)	Level of Difficulty		
			Low Estimate	Average	High Estimate
1	Arena Parking	7	70	100	130
2	State Fair Lottery - 50%	8	1,000	1,250	1,500
3	City of Lincoln - Lottery Match - 50%	8	100	125	150
4	Ag Society Property Tax	8	-	-	-
5	County/Ag Society Tax Levy - JPA	9	576	640	704
6	County Lodging Tax – 1%	9	405	450	495
7	G.O. Bond Proceeds \$.01 Levy	9	1,350	1,500	1,650
8	LB500 – Sales Tax TIF	6	240	400	560
9	Naming Rights – Exterior	5	50	100	150
10	Naming Rights – Interior	5	25	50	75
11	Retail Space Lease	5	-	-	-
12	Ticket Fee	7	88	125	163
13	TIF – Property Tax	8	140	175	210
Annual Revenues			4,044	4,915	5,787
Coverage - G.O. Financing			3,235	3,932	4,629
Coverage - Non G.O. Financing			2,696	3,277	3,858
Present Value No Coverage			54,239	65,929	77,620
Present Value 125% G.O.			43,391	52,744	62,096
Present Value 150% + 50 basis points			34,460	41,887	49,314

Exhibit 6

Discussion of Annual Funding Sources - State Fair/Lancaster Events Cntr.

STATE FAIR/EVENT CENTER – ANNUAL REVENUE SOURCES

1. *Arena Parking*

The concept drawings for the combined facility on the State Fair Grounds showed a parking garage that could generate revenue that would assist in the cost of building the garage. The concept drawing for the location at the existing Ag Event Center does not show a parking garage, but could charge for surface parking for certain events.

Annual Cash Flow: The annual cash flow will be based on the number of stalls built and what the market will allow. For estimation purposes, a 250 stall garage with monthly average revenue of \$35 per month per stall is used.

Accuracy of Estimate: This facility would not likely result in daily parking revenue at the level that a garage in downtown Lincoln would generate. Most of the revenue would result from parking for events on the State Fair ground.

Issues that could reduce/eliminate funding source: A portion of the revenue will come from events at the Bob Devaney Center. If some of the larger events were to go to a new arena, there would be some reduction in the amount of revenue that could be realized.

Estimates: The computation for 250 stalls yields approximately \$100 thousand per year in parking revenues.

2. *State Fair Lottery*

The State of Nebraska has allocated ten percent of the State Lottery proceeds to the benefit of the State Fair in accordance with Section 2-108.

Annual Cash Flow: The State Fair has received approximately \$2.8 million from this revenue source during the past year.

Accuracy of Estimate: This revenue source is based on a formula that should yield fairly consistent results. The amount received during the past year could have been positively impacted by the recent \$300 million lottery winners in Lincoln.

Issues that could reduce/eliminate funding source: This revenue source is coming from a non-essential consumer need. An example of a similar revenue source that essentially went away was the State pari-mutuel tax that provided significant revenue through the mid 1980's. This revenue source started to decrease rather dramatically and was eliminated by 1990.

STATE FAIR/EVENT CENTER – ANNUAL REVENUE SOURCES

Estimates: Because of the recent lottery winners, a more conservative \$2.5 million estimate is used. The portion of this \$2.5 million revenue estimated to be used for capital improvements is estimated to be 50 percent or \$1.25 million.

3. *City of Lincoln Lottery Match.*

The City of Lincoln is required to match the State contribution with a ten percent match from its tax funded budget.

Annual Cash Flow: During the past year, the City of Lincoln matched the lottery proceeds with approximately \$280 thousand of tax funds.

Accuracy of Estimate: This estimate is very accurate. It is based on a precise matching requirement.

Issues that could reduce/eliminate funding source: Any reduction in State lottery proceeds could reduce this matching revenue.

Estimates: The ten percent match of the lottery proceeds is \$250 thousand. Utilizing one-half of this for operations and on-half for capital funding results in a net of \$125 thousand.

4. *Ag Society Property tax.*

The Ag Society is allocated a portion of the County taxing authority. This currently includes a \$181 thousand levy to operate the fair and a \$113 levy for minor capital improvements for a total levy of \$294 thousand. Since the need for an operating subsidy will likely continue, none of this revenue is anticipated to be used for assisting in paying for major capital improvements or additions.

Annual Cash Flow: This is estimated to continue at the same levy of approximately \$300 thousand.

Accuracy of Estimate: N/A

Issues that could reduce/eliminate funding source: N/A

Estimates: N/A.

5. *County/Ag Society Levy Joint Public Agency.*

The Lancaster Ag Society and the County of Lancaster entered into an interlocal agreement to fund the capital improvements at the 84th and Havelock location. In 2000, \$5.0 million of Limited Tax Facility Bonds were issued. At the end of calendar year 2005, the remaining principal balance was \$2.78 million. At the end of 2006, the balance will be \$2.275 million. The debt will be completely paid

STATE FAIR/EVENT CENTER – ANNUAL REVENUE SOURCES

off by the end of calendar year 2010. The County Board has allocated 0.42 cents of the 15 cents that they can allocate to various political subdivisions to amortize the debt on these bonds. The annual debt service requirement is approximately \$640 thousand. For purposes of analyzing the annual revenue sources available to fund a joint facility, this annual cash flow is projected to continue.

Annual Cash Flow: Since this tax levy is going toward debt service, it does not count toward the limit of 15 cents that the County can contribute.

Accuracy of Estimate: This revenue source is very stable and can be accurately estimated. The tax base of Lancaster County has shown steady increases and a fairly consistent rate of new growth.

Issues that could reduce/eliminate funding source: The County Board will need to continue to authorize the use of their taxing authority.

Estimates: The estimate is based on the current tax base and 0.42 cent per \$100 dollar valuation of Lancaster County.

6. *County Lodging Tax*

This revenue source would be generated by securing 1% of the County lodging tax. State Statute 81-1255 authorizes a county to establish a County Visitors Promotion Fund. This fund will receive 2% of the 5% lodging tax.

Annual Cash Flow: Currently, the lodging tax generates about \$425 thousand per 1% of tax.

Accuracy of Estimate: This revenue source can be accurately measured because it is already in existence.

Issues that could reduce/eliminate funding source: This revenue source is also identified as a possible source for funding the Arena. Any allocation to the Arena project will reduce the amount available for the State Fair/Ag Events Center.

Estimates: The estimate is based on a one percent hotel lodging tax. The continued development of motels and hotels in Lincoln should produce a minimum of \$450 thousand by the time this project begins.

7. *Additional Property Tax Support*

Additional funding could be provided through an additional property tax levy beyond the portion used to pay the initial \$5 million Series 2000 bonds.

Annual Cash Flow: A one-cent levy will yield approximately \$1.5 million in property tax revenue.

STATE FAIR/EVENT CENTER – ANNUAL REVENUE SOURCES

Accuracy of Estimate: The accuracy of this estimate is high. Every penny of levy will yield approximately \$1.5 million in revenue and when bonded for a 20-year period will result in \$15 million of bond proceeds.

Issues that could reduce/eliminate funding source: The taxpayers of Lancaster County would need to be willing to pay more in property taxes.

Estimates: For estimate purpose, \$1.5 million is used.

8. *Sales Tax TIF*

This revenue source would be generated by a change in State law to allow the capture of new sales tax generated in an entertainment district as contemplated in LB 500 that reached the final stages of approval in the 99th legislature of the 2006 regular session. This law was not passed and it, or similar legislation, will need to be brought forward in future sessions.

Annual Cash Flow: As provided in LB 500, new sales taxes generated within an entertainment district could be returned to the City. The bill allowed for 75% of the State sales tax and 100% of the local tax to be returned and potentially bonded for a 25 year period. The bill also provided for the same return for any sales tax generated in any adjacent hotels within walking distance of the entertainment district for an initial five-year period.

Accuracy of Estimate: This revenue estimate will probably require a thorough study to more accurately estimate, but a preliminary estimate is that a relocation of either the State Fair or Ag Events Center would generate \$5million in new taxable sales; a new hotel/retail area could generate an additional \$2.5 million in taxable sales. The existing facility would continue to generate \$5 million in sales.

Issues that could reduce/eliminate funding source: This revenue source will be available only if enacted by the Legislature. Because of significant changes in the membership of the Legislature during the next several years, renewed lobbying efforts will need to be accomplished. If a similar bill is passed, it will need to be monitored to ensure that the arena in Lincoln would continue to be eligible and the timeline is possible.

Estimates: The annual revenue estimate is based upon the two revenue streams from existing sales and new sales. Attachment A is a preliminary model using the concepts in LB 500 and the estimate mentioned above. These will generate about \$10 million over 25 years or an average of \$400 thousand. This stream of revenue would yield \$5 million if bonded.

STATE FAIR/EVENT CENTER – ANNUAL REVENUE SOURCES

9. *Naming Rights - Exterior*

This revenue source would be generated by selling the naming rights of the facility to a corporation for a set number of years, similar to the arrangement with Qwest and the facility in Omaha. This arrangement is fairly prevalent around the country.

Annual Cash Flow: A preliminary estimate is that this will generate a minimum of \$100 thousand per year.

Accuracy of Estimate: This revenue source will be unknown until it is bid. A consultant should be engaged to provide more accurate estimates.

Issues that could reduce/eliminate funding source: A change in the marketability of naming rights could impact this estimate.

Estimates: \$100 thousand per year is estimated.

10. *Naming Rights - Interior*

This revenue source would be generated by selling the naming rights to various interior facilities to one or more corporations for a set number of years. This would include naming certain rooms and facilities. This arrangement is fairly prevalent around the country.

Annual Cash Flow: A preliminary estimate is that this will generate a minimum of \$50 thousand per year.

Accuracy of Estimate: This revenue source will be unknown until it is bid. A consultant should be engaged to provide more accurate estimates.

Issues that could reduce/eliminate funding source: A change in the marketability of naming rights could impact this estimate.

Estimates: \$50 thousand per year is estimated.

11. *Retail Space Lease*

The design charrette did not show any retail space that would be part of either the State Fair of Lancaster Event Center sites. It is anticipated that there may be land within the site that could be sold for private retail space. This would likely be a

STATE FAIR/EVENT CENTER – ANNUAL REVENUE SOURCES

one-time source of revenue and an estimate is included in the one-time revenue analysis.

Annual Cash Flow: N/A.

Accuracy of Estimate: N/A

Issues that could reduce/eliminate funding source: N/A

Estimates: N/A

12. *Ticket Fee*

This revenue source would be generated by adding a fee to each ticket sold at the arena. The fee could be a variable fee depending on the price of the ticket.

Annual Cash Flow: The annual cash flow will depend on the average ticket fee times the number of event tickets.

Accuracy of Estimate: This revenue source can be fairly accurately calculated once an estimate of the number of ticket sales can be made. The number of events that generate a large number of attendees will help drive this revenue source.

Issues that could reduce/eliminate funding source: A reduction in the number of ticket sales.

Estimates: The estimate is based on 250 thousand ticket sales per year times an average of \$0.50 per ticket.

13. *Tax Increment Financing*

The City has the authority to issue tax exempt bonds capitalized by the property tax increment on any public project in which the area of development has been declared blighted. The City has utilized this tool for a number of years and should be able to utilize this funding source for this project.

Annual Cash Flow: Approximately 2% of the property valuation increment.

Accuracy of Estimate: The City has a long history of dealing with TIF and issuing tax exempt bonds.

Issues that could reduce/eliminate funding source: Redevelopment doesn't occur or property valuations could decline.

STATE FAIR/EVENT CENTER – ANNUAL REVENUE SOURCES

Estimates: A \$10 million increment would generate approximately \$200 thousand of property taxes that could be used for the project for a period of 15 years. Since the model uses a 25 year bonding period, and TIF is limited to 15 years, \$175 is used in the matrix to yield approximately the same amount as \$1 million bonded for 15 years.

Exhibit 7

Matrix of One-Time Funding Sources - State Fair/Lancaster Events Cntr.

State Fair/Lancaster Event Center

Financing Matrix - Level of Difficulty

One-Time Revenues

(amounts in thousands)

<u>No.</u>	<u>Description</u>	Certainty of estimate (1 to 10)	Level of Difficulty				<u>Total</u>
			<u>Easy</u>	<u>Moderate</u>	<u>Difficult</u>	<u>Most Difficult</u>	
1	District Energy Corp.	8	-				-
2	Donations – Corporations	5		1,000			1,000
3	Donations – Individual	5		500			500
4	Federal Highway Funds	3			3,000		3,000
5	New Markets Tax Credit	4	-				-
6	NRD – Flood Plain Issues	5		250			250
7	Sale of Property	7		10,500			10,500
8	State Road Funds	4			2,000		2,000
9	Street Funds	7		1,000			1,000
10	Turn back Tax from Qwest	8	1,000				1,000
11	Wetland Funds	3		250			250
12	Sale of Land for Commercial Use	5		4,500			4,500
Annual Revenues			1,000	18,000	5,000	-	24,000
Cumulative			1,000	19,000	24,000	24,000	

State Fair/Lancaster Event Center

Financing Matrix - Range

One-Time Revenues

(amounts in thousands)

<u>No.</u>	<u>Description</u>	Certainty of estimate (1 to 10)	Range of Estimate		
			<u>Low Estimate</u>	<u>Average</u>	<u>High Estimate</u>
1	District Energy Corp.	8	-	-	-
2	Donations – Corporations	5	500	1,000	1,500
3	Donations – Individual	5	250	500	750
4	Federal Highway Funds	3	900	3,000	5,100
5	New Markets Tax Credit	4	-	-	-
6	NRD – Flood Plain Issues	5	125	250	375
7	Sale of Property	7	7,350	10,500	13,650
8	State Road Funds	4	800	2,000	3,200
9	Street Funds	7	700	1,000	1,300
10	Turn back Tax from Qwest	8	800	1,000	1,200
11	Wetland Funds	3	75	250	425
12	Sale of Land for Commercial Use	5	2,250	4,500	6,750
Annual Revenues			11,500	24,000	27,500

Exhibit 8

Discussion of One-Time Funding Sources - State Fair/Lancaster Events Cntr.

STATE FAIR/EVENT CENTER – ONE-TIME REVENUE SOURCES

1. *District Energy Corp.*

The District Energy Corp. may provide an opportunity to secure heating and cooling for the facilities at a significant savings. This concept will be beneficial in reducing both the cost of the buildings within the project, but also the operational costs for heating and cooling.

One-Time Revenue Amount: There will not be any direct revenue available from this source to assist in the construction of the facility. However, preliminary discussions indicate that this method will allow the arena to be built at a significantly lower cost, because there will not be a need to build an HVAC system into the building other than the delivery mechanisms. Preliminary discussions also indicate that the annual cost of energy for heating and cooling could be reduced by as much as 50%.

Accuracy of Estimate: No estimate needed.

Issues that could reduce/eliminate funding source: There will be technical issues and studies needed before the use of the DEC to provide less expensive heating and cooling can be confirmed.

Estimates: No revenues are estimated.

2. *Donations - Corporate*

It is assumed that the corporate community would assist in the funding of a new arena by providing some level of funding in the form of gifts/donations.

One-Time Revenue Amount: Corporate pledges may be paid over a several year period. Any pledges paid at the start of construction can be used to pay costs during the construction period. Pledges that are guaranteed and paid over several years may need to be included in the annual payment category and capitalized based on the present value of the series of pledges.

Accuracy of Estimate: This revenue source is difficult to estimate and the estimate has a high amount of variability.

Issues that could reduce/eliminate funding source: The state of the National/State economy will have a significant determination on this revenue source.

Estimates: For estimation purposes, \$1.0 million is used.

STATE FAIR/EVENT CENTER – ONE-TIME REVENUE SOURCES

3. *Donations - Individual*

It is assumed that private individuals would assist in the funding of a new arena by providing some level of funding in the form of gifts/donations.

One-Time Revenue Amount: Private pledges may be paid over a several year period. Any pledges paid at the start of construction can be used to pay costs during the construction period. Pledges that are guaranteed and paid over several years may need to be included in the annual payment category and capitalized based on the present value of the series of pledges.

Accuracy of Estimate: This revenue source is difficult to estimate and the estimate has a high amount of variability.

Issues that could reduce/eliminate funding source: The state of the National/State economy will have a significant determination on this revenue source.

Estimates: For estimate purpose, \$500 thousand is used.

4. *Federal Highway Funds*

The City through its congressional delegation was successful in obtaining Federal Highway funding for the pedestrian bridge between the Haymarket and Haymarket Park as part of the baseball project. A similar demonstration project should be able to be designed into the project that would qualify for Federal funding.

One-Time Revenue Amount: This revenue source will probably be targeted for a specific part of the road/pedestrian network. Whether this funding will be able to be used for the basic network or an enhanced feature that will add to the cost of the network is unknown. For estimation purposes, it is assumed that \$3 million could be used for the basic network.

Accuracy of Estimate: This revenue source is difficult to estimate and the estimate has a high amount of variability.

Issues that could reduce/eliminate funding source: The willingness of congress to fund this type of project and the willingness of one or more of our congressional delegation to sponsor this type of project is necessary.

Estimates: For estimate purposes, \$3 million is used.

5. *New Markets Tax Credit*

STATE FAIR/EVENT CENTER – ONE-TIME REVENUE SOURCES

The Community Renewal Tax Relief Act of 2000, the New Markets Tax Credit Program will spur approximately \$15 billion in investments into privately managed investment institutions. In turn, these privately managed investment institutions, or Community Development Entities (CDEs), will make loans and capital investments in businesses in underserved areas. By making an investment in a CDE, an individual or corporate investor can receive a tax credit worth 39 percent (30 percent net present value) of the initial investment, distributed over 7 years, along with any anticipated return on their investment in the CDE.

One-Time Revenue Amount: This revenue source will not be available to build the public portion of the project but may be available to any private developer.

Accuracy of Estimate: This revenue source is difficult to estimate and the estimate has a high amount of variability.

Issues that could reduce/eliminate funding source: The private developer will need to be successful in competing for these funds.

Estimates: No revenues are estimated.

6. ***NRD – Flood Plain Issues***

Either site at the existing State Fair grounds or the 84th and Havelock location will need to deal with flood plain issues including the amount of fill and remediation issues. There may be an opportunity to seek funding assistance from the Lower Platte South NRD if the flood plain issue could be addressed in some positive fashion.

One-Time Revenue Amount: Any assistance from the NRD will likely be at the start of the project and will not be an on going source of revenue.

Accuracy of Estimate: This revenue source is difficult to estimate and the estimate has a high amount of variability.

Issues that could reduce/eliminate funding source: The policies of the NRD may not allow funding for this type of project.

Estimates: For estimate purposes, \$250 thousand is used.

7. ***Sale of Property***

If the decision were made to locate the joint State and County Fair at the existing State Fair location, there would be an opportunity to generate a gain on the sale of the existing property at 84th and Havelock. It is also possible that if the State Fair relocated to 84th and Havelock, that the University may be willing to pay for the land that would be vacated.

STATE FAIR/EVENT CENTER – ONE-TIME REVENUE SOURCES

One-Time Revenue Amount: The amount to be realized would be the net of the sales price less payment of any outstanding debt. The amount of debt will be \$2.275 million at December 31, 2006. On December 31, 2007, the balance will be \$1.430 million. The existing site, which includes 258 thousand square feet of space in four buildings on 167 acres of land should have a value of \$12.0 million. If this transaction took place at the end of 2007, the net would be \$10.5 million. A similar amount is estimated to be received from the University for the benefit of receiving a significant amount of land for expansion purposes should the relocated facilities be sited at 84th and Havelock.

Accuracy of Estimate: This revenue source will be fairly accurate to calculate if an appraisal took place.

Issues that could reduce/eliminate funding source: A change in the overall economy or a surplus of this type of property would have a negative impact on the amount to be realized.

Estimates: For estimate purposes, \$10.5 million is used.

8. ***State Road Funds***

If this project is built at 84th & Havelock, there may be a possibility of securing some State funding of this project.

One-Time Revenue Amount: If 84th Street needs to be rerouted or relocated, there may be an opportunity for some State participation.

Accuracy of Estimate: This revenue source will be fairly accurate to estimate.

Issues that could reduce/eliminate funding source: Unwillingness by the Dept of Roads to fund a portion of this project.

Estimates: For estimate purposes, \$2 million is used.

9. ***Street Funds***

A significant portion of the cost of the project will be the street network to service either facility. The City's street fund would generally participate in the cost of this network if it were part of the major road network envisioned in the Comprehensive Plan. Currently the road network is not included in the Comprehensive Plan. Because of an existing shortfall of approximately \$100 million, it will be difficult to secure funding from the Street Funds for this project.

One-Time Revenue Amount: The Street fund may be able to participate in funding some of the design work for the project.

STATE FAIR/EVENT CENTER – ONE-TIME REVENUE SOURCES

Accuracy of Estimate: This revenue source will be fairly accurate to estimate.

Issues that could reduce/eliminate funding source: Continued shortfalls in receipts from the State Highway allocation fund could put further pressure on the ability to design and build street projects.

Estimates: For estimate purposes, \$1 million is used.

10. Turnback Tax from Qwest

In 1999, the Legislature created the Convention Center Facility Financing Assistance Act for the purpose of assisting Omaha with the funding of a portion of the Qwest Center. This act was created so that in its current form, it is difficult for any other City in the state to qualify for this funding source. In creating the funding for the Qwest Center, the Legislature also created the Local Civic, Cultural, and Convention Center Financing Fund. This fund is to receive 30 % of the eligible funds that the Omaha project generates. Section 13-2704 states that the fund may be used for assistance for the construction of new centers or the renovation or expansion of existing centers. The fund may not be used for planning, programming, marketing, advertising, and related activities. Section 13-2705 provides funding of up to \$1 million for cities of the primary class and lesser amounts for smaller cities once every five years.

One-Time Revenue Amount: The maximum that may be granted by the State under the 30 % formula is \$1 million.

Accuracy of Estimate: This revenue source will be fairly accurate to estimate.

Issues that could reduce/eliminate funding source: The amount of funds that Omaha is generating is not as high as estimated. If other cities are successful in receiving funding, Lincoln may have to wait several years before the fund is replenished.

Estimates: For estimate purposes, \$1 million is used.

11. Wetland Funds

The project site may contain one or more wetland areas that may need to be reclaimed or restored. There are a number of federal, state, and private foundation sources that may assist in the funding for this purpose.

One-Time Revenue Amount: The amount of funding will depend on the ability to reclaim any of the wetland areas. The revenues would be estimated to cover some or all of the expenses associated with this activity.

STATE FAIR/EVENT CENTER – ONE-TIME REVENUE SOURCES

Accuracy of Estimate: This revenue source will be fairly difficult to estimate.

Issues that could reduce/eliminate funding source: The lack of salvageable wetland areas, or lack of success in receiving grant funding.

Estimates: For estimate purposes, \$250 thousand is used.

12. *Sale of Land for Commercial Use*

The concept drawings for both sites included excess land that will be sited for potential commercial use.

One-Time Revenue Amount: The amount of proceeds will depend on the amount of square feet dedicated for commercial use. To arrive at an estimate, 150,000 square feet of commercial space is used.

Accuracy of Estimate: This revenue source will be fairly accurate to estimate.

Issues that could reduce/eliminate funding source: The lack of interest by private developers to locate at either site.

Estimates: 150,000 square feet of Commercial @ \$7.50, 25% FAR X 4 equals \$4.5 million.

Exhibit 9

Estimated Use of Funds - Arena

Arena Uses of Funds

(amounts in thousands)

Public Investment:

Arena & Garage	150,000	
Retail Space	7,500	
Road Network	23,000	
Land Acquisition	26,000	
Site Work	3,000	
Surface Parking	6,200	
Soft Costs & Contingency	20,000	
Total Public		<u>235,700</u>

Private Investment:

Hotel	75,000	
Convention Center	20,000	
Total Private		<u>95,000</u>

Exhibit 10

Estimated Uses of Funds – State Fair/Event Center

State Fair/Ag Event Center

Uses of Funds

(amounts in thousands)

Uses	Co-Located Costs		Separate Location Costs		
	84th & Havelock	State Fair Park	84th & Havelock	State Fair Park	Total
Road Relocation, 84th Street	5,600	-	-	-	-
Grading	1,200	450	150	450	600
Demolition	-	850	-	850	850
Infrastructure	4,500	11,350	1,000	11,350	12,350
Pretreatment Lagoon	150	150	120	120	240
Parking	8,500	5,500	3,500	5,500	9,000
Buildings	32,000	40,500	27,500	32,000	59,500
Utility Relocation	4,500	-	-	-	-
20th Street Bridge & Intersection	-	3,250	-	-	-
Race Track and Grand Stand	12,000	11,500	-	11,500	11,500
Soft Costs, Contingency, Equip.	10,000	10,000	7,000	7,000	14,000
Total	78,450	83,550	39,270	68,770	108,040

Assumptions:

- 1) The co-located estimate for the 84th and Havelock site was based on the concept drawing that showed movement of 84th Street to the west.
- 2) The cost estimates for the co-located sites utilized the master plans and master plan updates that were provided to the committee.
- 3) The cost estimates for each entity's buildings, on separate locations, was calculated by utilizing the master plans and master plan updates for each entity.
- 4) The cost for the separate build-out of the 84th and Havelock location does not include moving 84th Street.
- 5) The cost estimate for the separate build-out of State Fair Park does not include the construction of the 20th Street bridge and intersection.
- 6) All costs are calculated based on 2006 construction estimates
- 7) The cost estimates for buildings include an additional \$30 per sq. ft. for building betterments to maximize life expectancy.

Note: This analysis does not address annual operating costs of co-located vs. the two separate locations.